



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GARRARD COUNTY  
SHERIFF'S SETTLEMENT - 1999 TAXES**

**March 25, 2000**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **GARRARD COUNTY RONALD WARDRIP, SHERIFF SHERIFF SETTLEMENT – 1999 TAXES MARCH 25, 2000**

#### Audit Opinion:

An unqualified opinion was rendered on the Garrard County Sheriff Settlement – 1999 Taxes as of March 25, 2000, in the independent auditor's report dated September 11, 2000. There was one instance of noncompliance reported.

#### Tax Collection:

The Sheriff collected and distributed \$3,334,320 of taxes.

#### Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Sheriff entered into a written, signed agreement with the depository institution stating the institution should pledge collateral sufficient, together with FDIC insurance, to equal or exceed the amount of public funds on deposit at all times. The agreement was approved by the board of directors and was made an official record of the depository institution. As of November 8, 1999, however, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$406,391 of public funds uninsured and unsecured. We recommended the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

#### Interest Income:

Interest income in the amount of \$5,344 was earned on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder is to be used to operate the Sheriff's office.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable E. J. Hasty, Garrard County Judge/Executive  
Honorable Ronald Wardrip, Garrard County Sheriff  
Members of the Garrard County Fiscal Court

Independent Auditor's Report

We have audited the Garrard County Sheriff's Settlement - 1999 Taxes as of March 25, 2000. This tax settlement is the responsibility of the Garrard County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Garrard County Sheriff's taxes charged, credited, and paid as of March 25, 2000, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable E. J. Hasty, Garrard County Judge/Executive  
Honorable Ronald Wardrip, Garrard County Sheriff  
Members of the Garrard County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated September 11, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 11, 2000



GARRARD COUNTY  
RONALD WARDRIP, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES

March 25, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 295,535	\$ 527,673	\$ 1,672,295	\$ 533,404
Tangible Personal Property	7,976	11,279	38,765	29,940
Intangible Personal Property				16,688
Franchise Corporation	38,013	62,390	191,419	
Limestone, Sand, and Gravel	65	137	366	117
Increased Through Erroneous Assessments	747	1,467	3,705	3,470
Penalties	2,247	3,992	12,706	4,087
Adjusted to Sheriff's Receipt	(2)	84	(4)	2
Gross Chargeable to Sheriff	<u>\$ 344,581</u>	<u>\$ 607,022</u>	<u>\$ 1,919,252</u>	<u>\$ 587,708</u>
<u>Credits</u>				
Discounts	\$ 3,784	\$ 6,636	\$ 21,321	\$ 7,150
Exonerations	1,229	2,280	6,862	2,303
Delinquents:				
Real Estate	5,351	9,858	30,277	9,657
Tangible Personal Property	11	13	55	51
Uncollected Franchise Corporation	2,548	2,483	12,374	
Total Credits	<u>\$ 12,923</u>	<u>\$ 21,270</u>	<u>\$ 70,889</u>	<u>\$ 19,161</u>
Net Tax Yield	\$ 331,658	\$ 585,752	\$ 1,848,363	\$ 568,547
Less: Commissions *	<u>14,383</u>	<u>17,824</u>	<u>59,148</u>	<u>24,451</u>
Net Taxes Due	\$ 317,275	\$ 567,928	\$ 1,789,215	\$ 544,096
Taxes Paid	317,202	568,301	1,787,199	543,430
Refunds(Current and Prior Year)	<u>358</u>	<u>657</u>	<u>2,018</u>	<u>652</u>
Due District or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (285)</u>	<u>\$ (1,030)</u>	<u>\$ (2)</u>	<u>\$ 14</u>

\* and \*\* See Page 4

GARRARD COUNTY  
RONALD WARDRIP, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES  
March 25, 2000  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,258,417
3.2% on	\$	1,848,363
1% on	\$	217,540

\*\* Special Taxing Districts:

Health District	\$	12
Fire District 1		(799)
Fire District 3		<u>(243)</u>
Due Districts or (Refunds Due Sheriff)	\$	<u><u>(1,030)</u></u>

The accompanying notes are an integral part of the financial statement.

GARRARD COUNTY  
NOTES TO FINANCIAL STATEMENT

March 25, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 8, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$406,391 of public funds uninsured and unsecured.

GARRARD COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 March 25, 2000  
 (Continued)

Note 2. (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 8, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 1,499,933
Uncollateralized and uninsured	<u>406,391</u>
Total	<u>\$ 1,906,324</u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 26, 1999, through March 25, 2000.

Note 4. Interest Income

The Garrard County Sheriff earned \$5,344 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION



GARRARD COUNTY  
RONALD WARDRIP, SHERIFF  
COMMENT AND RECOMMENDATION

March 25, 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On November 8, 1999, \$406,391 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*I have discussed this with financial institution and deposits will be monitored daily in the future and all funds will be insured and secured.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable E. J. Hasty, Garrard County Judge/Executive  
Honorable Ronald Wardrip, Garrard County Sheriff  
Members of the Garrard County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Garrard County Sheriff's Settlement - 1999 Taxes as of March 25, 2000, and have issued our report thereon dated September 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Garrard County Sheriff's Settlement - 1999 Taxes as of March 25, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Garrard County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable E. J. Hasty, Garrard County Judge/Executive  
Honorable Ronald Wardrip, Garrard County Sheriff  
Members of the Garrard County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 11, 2000

